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DE RUEHAN #0615/01 2400904  
ZNR UUUUU ZZH  
R 280904Z AUG 09  
FM AMEMBASSY ANTANANARIVO  
TO RUEHC/SECSTATE WASHDC 2783  
INFO RUEHZO/AFRICAN UNION COLLECTIVE  
RHMFISS/CDR USAFRICOM STUTTGART GE  
RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 02 ANTANANARIVO 000615

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E.O. 12958: N/A  
TAGS: [PGOV](#) [PREL](#) [ECON](#) [MA](#)  
SUBJECT: ANTANANARIVO POL/ECON WEEKLY UPDATE

REF: A) 09 ANTANANARIVO 604, B) 09 ANTANANARIVO 607, C) 09  
ANTANANARIVO 613

11. (SBU) SUMMARY: This is U.S. Embassy Antananarivo's Weekly Update for the week of August 24 to 28, an unclassified review of major political, economic, and commercial events and information from the U.S. Mission to Madagascar and the Comoros. END SUMMARY.

POLITICS  
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12. (SBU) POLITICIANS REMAIN DEADLOCKED: Three days of talks among Madagascar's Big Four political leaders ended with no agreement on the key position of transition president. Current President of the High Transitional Authority (HAT) Andry Rajoelina, installed after a military coup in March 2009, insisted that he and his Prime Minister, Roindefo Monja, keep their jobs. Ousted President Marc Ravalomanana was unwilling to "legitimize a coup", and this round of talks was formally ended on the morning of August 28. Rajoelina has returned to Madagascar, requesting time (until September 4) to "consult" with other political parties about breaking up the Rajoelina/Monja tandem. Septel to follow with more information and analysis.

13. (SBU) POLITICS ON HOLD: Due to the overlap with the Maputo II negotiations, the HAT's unilateral National Conference, scheduled for August 24-28, was postponed. However, Blanche Nirina Richard, National Coordinator for the HAT regional and national conferences (CSR-AN), recently announced that decisions from the June "Regional Meetings" are "the people's aspirations, and should not be ignored", although any eventual success at the negotiation table will likely supersede the HAT's efforts on constitutional reforms or transition planning. Also delayed was election of 192 Fokontany (district) Chiefs in the capital, scheduled for this weekend. Officially, they were postponed by the Prefet de Police of Antananarivo to avoid distracting from the negotiations in Maputo, but it is widely believed that the current chiefs, appointed by the HAT, are unwilling to cede their places before December's previously-scheduled elections.

14. (SBU) EDGARD RAZAFINDRAVAHY HEADS TANA GOVERNMENT: Edgard Razafindravahy replaced Michele Ratsivalaka as President de Delegation Speciale (PDS - equivalent to appointed mayor) of Tana in early August, giving the wealthy businessman a visible platform for the beginnings of a political career - right where Ravalomanana and Rajoelina got their start. This takes him out of the game for the transition period, but permits him to gain exposure and experience before an eventual presidential campaign. Ratsivalaka was made an advisor to the HAT, but the hasty move was most likely to save face after her replacement in the city government.

15. (SBU) PRISONERS RELEASED: All but three of the high profile prisoners of concern have been released in recent weeks. Those remaining are two colonels arrested with Ravalomanana's PM Manandafy

Rakotonirina in April, as well as Ralitera Andrianandraina, former head of security at the High Constitutional Court (HCC). Of those who have been released, none have benefitted from the straightforward "immediate release" foreseen in Maputo I. First out were the four accused of complicity in recent bombings, although their case is still open; they spent almost a month in jail, and had never been charged. Ihanta Randriamandrato, head of the Legalist Women, has been "conditionally released" (on her own recognizance) pending her trial. The four members of parliament arrested in April were released with a 1-year suspended sentence, which they intend to appeal. Manandafy Rakotonirina was released last, on August 24, just in time to join the pro-Ravalomanana delegation headed to Maputo.

¶6. (SBU) All but the four members of parliament were forced to sign a letter committing to abide by the terms of the Maputo I accords, although their respective parties denounced the move as unfair, and not in the spirit of the accords themselves. Andrianandraina, of the HCC, was denied bail on August 21, as he was "not among the beneficiaries of the Maputo accords", according to the HAT Minister of Justice. No news is available as to the status of the remaining three prisoners, and no other lower-profile prisoners have been released.

#### ECONOMIC AND COMMERCIAL

¶7. (SBU) TIKO RICE LOOTED BY OFFICIALS: On March 30, the HAT created an Operational Unit ("Cellule operationnelle", or CO) tasked with collecting money from the sale of 34,000 tons of rice belonging to TIKO in Tamatave. This money will be deposited to the Treasury to recover allegedly unpaid taxes from TIKO. The HAT noted that at

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least 20,000 tons were smuggled by high ranking officials including army, mayors, and HAT members, and was sold at 500 ariary/kg (USD 0.26) instead of 800 ariary/kg (USD 0.41). On August 19, the HAT transferred the sale of the rice to the Ministry of Trade, who then alleged publicly on August 26 that the CO is still smuggling the rice with the help of the port authorities, the regional government, and the army. TIKO's lawyers have filed suit against the HAT, and the verdict is scheduled for August 28.

¶8. (SBU) E-GOVERNANCE IMPLEMENTATION: On August 12, 2009, Minister of Telecommunications Augustin Andriamananoro officially launched the "IMAILAKA" project. Thanks to the technical and financial assistance of the Indian government, the IMAILAKA project is part of the Pan Africa e-network aimed at linking 53 African countries by satellite or optical fiber. The total cost of the project is USD 130 million and it is intended to benefit telemedicine, e-governance and e-education services. To implement the project, the Indian Government donated computers, decoders, and scanners to the Government of Madagascar.

#### RECENT CABLES

¶9. (SBU) MADAGASCAR'S ECONOMIC PARTNERSHIP WITH EU UNDER THREAT (TANA 607): Madagascar signed an interim Economic Partnership Agreement (EPA) on December 11, 2007 and continues to enjoy trade preferences on its exports to the EU. However, due to the ongoing political crisis in Madagascar, the de facto GOM will not be allowed to continue negotiation of the EPA, nor to sign another interim EPA on August 28. A temporary waiver has been granted until the next EU/Malagasy political dialogue. If the EU continues its suspension of cooperation in early November, the costs of Madagascar's exports to the EU may rise, adding another threat to the country's troubled economy.

¶10. (SBU) LOW RICE PRICES COULD PRODUCE FUTURE SHORTAGE (TANA 613): The farm gate price of rice is 20 percent lower this year compared to 2008, dropping from MGA 500 to 400 (USD 0.26 to 0.21). Several factors contributed to this decline, chief among them are increased productivity in 2008, reduced demand from the country's largest distributor (Tiko), and politically-motivated price caps imposed by the current transition government.

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